C5150-4

Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

August 1986

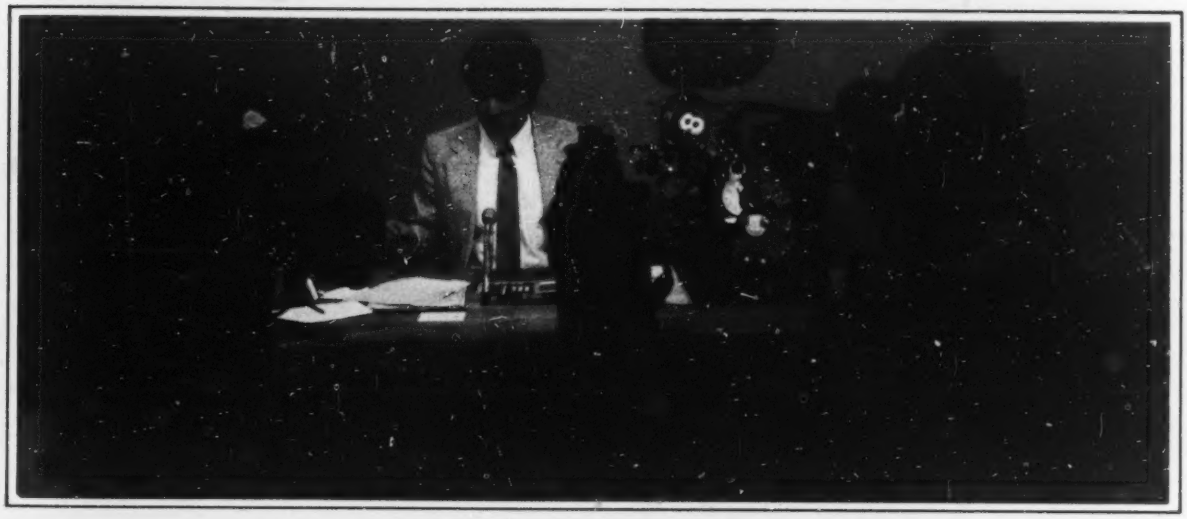
THE EXEC 100

AMERICA'S LARGEST RETAILERS

0034765C EX
KEVIN KENDRICK
CONGRESSIONAL INFO SVC 1EZ
4520 EAST WEST HWY STE 800
BETHESDA MD 20814

TWENTY FIVE DOLLARS A YEAR (USA)

CONTENTS



CABLE TV: A RETAIL ALTERNATIVE?

The success of Lowell "Bud" Paxson's Home Shopping Network is spawning a host of imitators and causing retailers to look closer at these new competitors. Experts are forecasting that sales transacted via cable shopping networks could total as much as $1 billion annually within two to four years..... *11*

SEARS, ROEBUCK IS STILL KING OF THE HILL:

The first annual *Exec 100* roster of America's largest retail chains shows K mart, The Limited and Wal-Mart hot on Sears' heels. *16*

In My View 2B
Perspectives 9
On the Level 52
Advertising Index 105
SPECS Forum 106B

DEPARTMENTS

Strategic Planning: Dee Corp. PLC enters the U.S. market with Herman's purchase. *33*

Legislative Affairs: Washington report *35*

Finance: Now that Batus Retail has sold off most of the Gimbels New York units to Allied Stores, the question is can Stern's make a success of these locations? *59*

Marketing: Simon David uses design and product innovations to cater to its upscale market. *64*

Retail Technology: Experts envision giant leaps ahead for at-home shopping systems. *69*

Merchandising: The Banker's Note creates its profitable niche. *80*

Store Design: Safeway's experimentation with its San Francisco marina store pays off. *84*

Security: The Broadway uses fiber-optic cable antitheft devices. . . *86*

Physical Supports: Foam and metal are roofing materials finding favor in the retail industry. *93*

SHOPPING CENTER AGE

TOO BIG OR NOT TOO BIG?

Sizing the center is no longer a matter of simply plugging numbers into time-tested formulas. Instead, there is a complex set of factors that need to be considered, including demographics, existing and anticipated market competition, site size and location accessibility. *37*

WAL-MART, THE LIMITED AIM AT TOP RUNG

SEARS IS STILL KING OF THE HILL, BUT K MART IS GAINING ON PERENNIAL LEADER

Watch out Sears, Roebuck, K mart and Safeway! Here comes Wal-Mart, The Limited and a number of other general merchandise, discount and specialty chains barreling up the ladder of success in the annual Exec 100 list of top United States retailers.

Sears, which was No. 1 five years ago with sales of $16.87 billion, increased its retail volume by 57.4% over the years to remain at the top of the heap with retail sales of $26.55 billion. K mart, which was third behind Sears and Safeway in the 1981 standings, is currently in second place and is narrowing the gap between itself and the leader. From 1981 to 1886, K mart increased its sales volume by 57.8% to $22.42 billion. In fiscal 1985, the difference in volume between Sears and K mart was $5.41 billion. Last year, the difference narrowed to $4.13 billion.

But hell-bent for election is Wal-Mart, which increased its sales by 414% over the five years to race from No. 31 with volume of $1.64 billion to No. 10 with fiscal 1986 sales of $8.45 billion. The Limited, which was No. 179 five years ago, increased its sales eightfold from $265.3 million to $2.39 billion, placing it in the No. 35 spot on the list. Wal-Mart increased its volume internally by starting other divisions, including Sam's Wholesale Warehouse, while The Limited combined internal growth with acquisitions, such as Victoria's Secret and Lerner Shops, to increase its volume.

More important, Wal-Mart's return on equity in fiscal 1986 was a healthy 28.4%, and The Limited's ROE was 43%, compared with 14% for the nine chains that preceded Wal-Mart. For the first time, the 1986 Exec 100 list includes price/earnings ratios, one of the methods by which Wall Street evaluates the earnings performances of retailers against competitors and against publicly-held companies in general. Based on the most recent four quarters

continued on page 18

Chains	1985 Sales (millions)	1984 Sales (millions)	1985 Earnings (millions)	1984 Earnings (millions)	1985 Earnings as % of sales	1984 Earnings as % of sales	Return on equity	P/E† ratio	Existing units 1985	Units to be added 1986
1. Sears, Roebuck*	$26,582	$26,506	$766.0	$905.0	2.8	3.4	11.5	14	1,185	117
2. K mart	22,420	21,096	221.2	499.1	1.0	2.4	14.6	23	3,848	254
3. Safeway	19,651	19,642	231.3	185.0	1.2	0.9	14.9	13	2,360	90
4. Kroger	17,124	15,923	180.8	156.6	1.0	1.0	15.5	14	2,882	141
5. American Stores	13,899	12,119	154.5	185.5	1.1	1.5	17.9	16	1,493	38
6. J. C. Penney*	12,634	12,372	386.0	407.0	2.8	3.0	10.4	15	1,693	45
7. Federated Dept. Stores	9,978	9,672	286.6	329.3	2.9	3.4	11.1	15	604	30
8. Lucky	9,382	9,237	86.5	94.6	0.9	1.0	13.6	18	1,465	N/A
9. Dayton Hudson	8,753	8,009	283.6	259.3	3.2	3.2	16.3	19	1,206	118
10. Wal-Mart	8,451	6,401	327.5	270.8	3.9	4.2	28.4	41	882	133
11. Southland***	8,065	7,707	259.0[a]	269.0[a]	3.2	3.5	16.1	21	7,519	N/A
12. Winn-Dixie[1]	7,774	7,302	107.9	115.9	1.4	1.6	17.2	18	1,262	N/A
13. A&P	6,615	5,878	88.3	215.8	1.3	3.7	14.1	12	1,045	N/A
14. F. W. Woolworth	5,958	5,737	177.0	141.0	2.9	2.5	7.3	16	5,822	650
15. Montgomery Ward	6,398	6,495	(298.0)[a]	68.0[a]	—	1.0	N/A	—	315	N/A
16. Supermarkets General	5,123	4,347	63.7	52.4	1.2	1.2	20.1	18	327	31
17. Albertson's	5,068	4,736	85.1	79.7	1.7	1.7	17.6	17	444	23-25
18. May Dept. Stores	5,028	4,596	235.4	214.1	4.7	4.7	18.0	15	2,074	361
19. Army/Air Force Exchange	4,918	4,881	171.0	236.0	3.5	4.8	N/A	—	5,263	N/A
20. Melville	4,775	4,262	210.8	190.4	4.4	4.5	22.1	18	5,574	336
21. ADG	4,395	4,107	119.7	120.7	2.7	2.9	11.8	23	438	28
22. R. H. Macy[1]	4,368	4,065	189.3	221.8	4.3	5.4	15.7	16	96	4
23. Allied Stores	4,135	3,970	159.3	140.7	3.9	3.5	15.0	14	665	27
24. Zayre	4,038	3,191	94.6	78.0	2.4	2.4	19.0	26	987	117
25. Carter Hawley Hale	3,978	3,724	48.0	89.7	1.2	2.4	13.4	33	284	38
26. Stop & Shop	3,689	3,247	30.3	54.8	0.8	1.7	7.6	28	415	16-18
27. Publix**	3,448	3,206	71.8	75.5	2.0	2.4	16.0	N/A	287	34
28. Walgreen	3,162	2,745	94.2	85.4	3.0	3.1	21.0	23	1,095	120
29. Tandy[1]	2,841	2,775	189.1	282.0	6.7	10.0	18.4	15	9,117	N/A
30. Grand Union	2,800	2,500	N/A	N/A	N/A	N/A	N/A	N/A	375	N/A
31. Service Merchandise	2,526	1,657	10.7	44.6	0.4	2.6	6.3	39	328	N/A
32. Jack Eckerd[1]	2,509	2,213	(8.3)	85.4	—	3.8	(1.3)	—	1,688	N/A
33. Von's[1]	2,500	2,433	N/A	N/A	N/A	N/A	N/A	N/A	180	N/A
34. Revco[1]	2,396	2,226	38.9	93.4	1.6	4.2	8.6	38	1,898	173
35. The Limited	2,387	1,343	145.3	92.5	6.1	6.9	43.0	40	2,353	N/A
36. Giant Food	2,247	2,139	57.0	45.2	2.5	2.1	22.8	16	137	11
37. Dart Products	2,236	2,253	2.2	13.6	1.0	0.6	0.5	0	257	0
38. Bahus*	2,175	2,039	165.0[a]	181.0[a]	7.5	8.9	N/A	N/A	176	5
39. Circle K	2,111	1,682	39.8	33.4	1.9	2.0	18.5	19	N/A	N/A
40. Lowe's	2,073	1,689	59.7	61.4	2.9	3.5	15.0	22	284	N/A
41. W. R. Grace*	2,067	1,919	N/A	N/A	N/A	N/A	N/A	26	695	N/A
42. Toys "R" Us	1,976	1,702	119.7	111.4	6.1	6.5	19.1	40	273	65
43. Mercantile Stores	1,889	1,707	102.4	84.8	5.4	5.0	16.1	16	80	1
44. Food Lion	1,866	1,470	47.5	37.3	2.6	2.5	29.1	14	317	N/A
45. Price**	1,834	1,141	46.0	28.6	2.5	2.5	34.9	24	21	3-5
46. Wickes*	1,849	1,648	73.0[a]	30.0[a]	3.9	1.8	11.6	53	439	N/A
47. Waldbaum's	1,764	1,712	17.1	13.0	1.0	0.8	12.5	10	137	5
48. Super Valu*	1,756	1,576	56.9[a]	39.0[a]	3.2	2.5	18.9	22	141	6
49. Sherwin Williams*	1,664	1,473	70.9[a]	55.9[a]	4.4	3.8	N/A	17	2,070	147
50. Dillard	1,661	1,277	66.9	49.6	4.2	3.9	20.3	18	101	11

*Retail only **Excludes gasoline sales †P/E ratios are based on primary per share earnings as reported by the companies for the most recent four quarters. Extraordinary items generally are excluded. [a]Retail operating earnings [1]Fiscal year ended in summer or fall of 1985 [b]Price of Publix's common stock is determined by Melbourne Shopping Centers, an associated company based upon appraisals prepared by independent appraisers. ( ) Loss N/A Not Available

Source: Chain data and *Chain Store Age Executive* estimates

Chains	1985 Sales (millions)	1984 Sales (millions)	1985 Earnings (millions)	1984 Earnings (millions)	1985 Earnings as % of sales	1984 Earnings as % of sales	Return on equity	P/E† ratio	Existing units 1985	Units to be added 1986
51. Fred Meyer	$1,584	$1,449	N/A	N/A	N/A	N/A	N/A	N/A	93	N/A
52. Rite Aid	1,564	1,360	$ 62.5	$ 69.9	4.0	5.1	16.6	22	1,486	N/A
53. Ames	1,513	822	40.4	28.5	2.7	3.5	32.4	28	450	21
54. Long's	1,481	1,376	37.7	40.1	2.6	2.9	13.7	20	208	15
55. Thrifty[1]	1,466	1,299	31.9	27.9	2.3	2.1	19.4	23	889	N/A
56. Payless Cashways	1,383	1,175	38.1	37.1	2.7	3.2	14.8	22	169	12
57. U.S. Shoe*	1,315	1,143	84.8*	52.0*	6.4	4.5	N/A	20	2,047	180
58. Nordstrom	1,302	959	50.1	40.7	3.8	4.2	16.9	17	44	3
59. Coltum[1]	1,172	1,228	17.2	12.6	1.5	1.0	18.4	12	112	14
60. Petrie	1,161	951	77.9	54.6	6.7	5.7	19.3	18	1,367	110
61. American Can*	1,156	995	100.0*	72.0*	8.7	7.2	N/A	12	462	N/A
62. Zale	1,107	1,054	(61.1)	38.8	—	3.7	(13.9)	—	1,341	40
63. Weis	1,017	958	60.1	55.3	5.9	5.7	17.4	20	122	4
64. Rose's	1,000	927	20.3	23.9	2.0	2.5	13.3	22	204	N/A
65. National Convenience[1]	928	819	15.5	18.5	1.6	2.3	17.8	33	1,130	N/A
66. Bruno's[1]	887	716	24.5	18.8	2.8	2.6	27.0	30	85	10
67. Big Bear[1]	828	747	15.0	10.1	1.8	1.4	25.4	9	91	N/A
68. Edison Bros.	808	786	27.0	32.9	3.3	4.2	12.6	18	2,183	39
69. Stater Brothers[1]	788	714	2.6	1.1	0.3	0.2	63.6	24	94	3
70. Marsh Supermarkets	719	671	6.4	4.7	8.9	7.0	13.8	23	250	5
71. Carson Pirie Scott*	706	594	26.6*	30.2*	3.8	5.1	N/A	24	322	25
72. Circuit City	706	519	22.0	20.2	3.1	3.8	22.0	24	89	N/A
73. Home Depot	701	433	6.2	14.1	1.2	3.3	9.7	46	50	9
74. Strawbridge & Clothier	657	631	24.1	24.7	3.5	3.9	5.4	N/A	32	1
75. Hannaford Bros.*	653	601	N/A	N/A	N/A	N/A	N/A	29	101	14-16
76. The Gap	647	518	27.7	12.2	4.2	2.4	24.8	38	648	65-70
77. Hartmarx*	634	612	28.0*	35.3*	4.4	5.8	13.5	14	467	N/A
78. Dejcharge[1]	631	588	9.6	8.5	1.5	1.4	15.1	12	85	4
79. Sentry Markets[2]	602	534	5.5	2.8	0.9	0.6	17.4	17	41	2
80. Pueblo International	597	518	6.6	5.1	1.1	1.0	13.5	13	43	4
81. Dollar General	584	481	17.8	20.6	3.1	4.3	17.7	23	1,278	N/A
82. Big V Supermarkets	561	543	5.7	1.9	1.0	0.3	14.0	13	32	3
83. Nash Finch*	542	523	5.2*	6.7*	9.5	12.9	11.6	15	91	4
84. Morse Shoe	541	527	7.2	9.1	1.3	1.7	5.4	20	722	50
85. Ingles[1]	528	470	7.8	5.4	1.5	1.2	15.9	N/A	99	25
86. Jamesway	523	475	9.3	13.2	1.8	2.8	10.5	22	91	N/A
87. Heck's	523	465	(4.9)	(7.8)	—	166	6	—	165	6
88. Alexander's[1]	520	517	5.0	4.0	1.0	0.8	7.1	35	15	0
89. Gordon Jewelry[1]	502	506	8.5	27.3	1.7	5.4	32.9	17	555	40
90. Fisher Foods	495	503	2.3	(5.5)	2.5	—	3.5	19	58	2
91. Hecklinger	479	405	23.1	20.9	4.8	5.2	15.8	25	55	14
92. Shopwell	464	557	(4.3)	(2.0)	—	—	—	—	53	N/A
93. Interco*	462	545	32.1*	17.3*	6.9	3.2	36.0	18	248	N/A
94. Munford	457	424	5.5	8.2	1.2	1.9	10.0	17	1,195	N/A
95. Fay's	455	367	2.8	8.7	0.6	2.4	4.6	53	139	24
96. Scotty's[1]	453	425	17.5	18.1	3.9	4.2	11.6	16	116	12
97. Feederama	441	450	2.9	0.2	0.7	0.0	12.4	10	27	N/A
98. C. R. Anthony	417	416	9.9	7.7	2.4	1.9	12.7	16	272	6
99. Family Dollar[1]	410	341	24.0	20.9	5.8	6.1	27.1	27	920	180
100. Victory Markets	394	361	3.6	2.5	0.9	0.7	12.4	13	82	N/A

*Retail only †P/E ratios are based on primary per share earnings as reported by the companies for the most recent four quarters. Extraordinary items generally are excluded.
N/A Not available ( ) Loss [1]Fiscal year ended in summer or fall of 1985 [2]Owned by Godfrey Co. *Retail operating earnings

Source: Chain data and *Chain Store Age Executive* estimates

of earnings, Wal-Mart's P/E ratio was 41 at presstime and The Limited's was 40. P/Es of most of the other chains on the list ranged between 15 and 20.

The 1986 Exec 100 is pared down from previous years when it included all chains turning in sales volumes of $100 million or more. It is the only published list covering all categories of retailing: mass merchandise, department, discount, variety, supermarket, drug, specialty and home centers.

In streamlining its list, *Chain Store Age Executive* for the first time restricted most of the chains to publicly-held companies. A couple of exceptions have been made for privately-owned chains that volunteered their sales volumes.

From 1981 to 1986, the ranks of the Exec 100 retailers thinned considerably, more because of mergers and acquisitions and leveraged buyouts (LBOs) than for failures.

Thus, Family Dollar Stores, the 100th chain on the 1986 list, posted sales volume of $410 million its last fiscal year, compared with $500 million registered by Giant Eagle, the 100th chain in the 1981 survey.

In fact, with a couple of exceptions, the leaders have all diversified into other areas, especially specialty retailing. This includes Sears, as well as K mart, American Stores, J. C. Penney, Federated Department Stores, Lucky Stores, Dayton Hudson, Wal-Mart and F. W. Woolworth.

Two exceptions are supermarket chains, Safeway and Kroger, which continue to zero in on the food business for growth potential. ■